

Internal Revenue Service
Director, Exempt Organizations

Department of the Treasury
P.O. Box 2508 - EP/EO
Cincinnati, OH 45201

Date: DEC 10 2001

Employer Identification Number:
[REDACTED]

Person to Contact - I.D. Number:
[REDACTED]

Contact Telephone Numbers:

Phone [REDACTED]

FAX [REDACTED]

Den [REDACTED]

We have considered your application for recognition of exemption from Federal income tax under the provisions of section 501(c)(4) of the Internal Revenue Code of 1986 and its applicable Income Tax Regulations. Based on the available information, we have determined that you do not qualify for the reasons set forth on Enclosure I.

Consideration was given to whether you qualify for exemption under other subsections of section 501(c) of the Code. However, we have concluded that you do not qualify under another subsection.

As your organization has not established exemption from Federal income tax, it will be necessary for you to file an annual income tax return on Form 1041 if you are a Trust, or Form 1120 if you are a corporation or an unincorporated association.

If you are in agreement with our proposed denial, please sign and return one copy of the enclosed Form 6018, Consent to Proposed Adverse Action.

You have the right to protest this proposed determination if you believe it is incorrect. To protest, you should submit a written appeal giving the facts, law and other information to support your position as explained in the enclosed Publication 892, "Exempt Organizations Appeal Procedures for Unagreed Issues." The appeal must be submitted within 30 days from the date of this letter and must be signed by one of your principal officers. You may request a hearing with a member of the office of the Regional Director of Appeals when you file your appeal. If a hearing is requested, you will be contacted to arrange a date for it. The hearing may be held at the Regional Office or, if you request, at any mutually convenient District Office. If you are to be represented by someone who is not one of your principal officers, he or she must file a proper power of attorney and otherwise qualify under our Conference and Practice Requirements as set forth in Section 601.502 of the Statement of Procedural Rules. See Treasury Department Circular No. 230.

V. T. S. ENTERPRISE

If we do not hear from you within the time specified, this will become our final determination.

Sincerely,

Steve Miller
Director, Exempt Organizations

Enclosures: 3
Attachment 1
Form 6018
Publication 892

This letter is addressing your application for exemption under Internal Revenue Code section 501(c)(4). Although each box on page 1 of the application was also checked, we have concluded that you fail to qualify for exemption under another section of the Code.

The information submitted with your application Form 1024 shows that you have no organizing document.

We have explained that the presented Trust document is an insurance product. You went to great lengths to obtain a copy of your Trust. The materials which [redacted] provided to you and which you have submitted as your Trust document explain that there are irrevocable trusts and living trusts. The [redacted] materials continue to discuss your Trust used to hold shares of common stock that eligible policyholders are allocated. It continues to explain withdrawals, transfer of ownership, that the Trust remains a grantor trust, trust beneficiaries, amendments and ERISA plans, and termination procedures. Although not clear, apparently the trust was executed [redacted]. You replied that "You have copies [sic] of Incorporation which shows the date adopted. I have the application and the letter to show it was adopted." We have been unable to discover any corporate formation.

Your stated purposes are to have A Living Trust, A Pure Trust. It is designed for Personal Affairs and NOT for business purposes. [Continued] "This Trust is typically used to hide personal assets."

Your replies have tried to clarify various details of your activities.

- 1) The Trust will make cash grants to include \$[redacted] for a new home;
- 2) The Trust will make cash grants for bus and cab fares; food; [redacted] room; clothes; and cable.
- 3) The Trust will grant [redacted] salary annually to your President.
- 4) The Trust plans to pay \$[redacted] to [redacted]
- 5) The Trust plans to writing grant proposals for funding.

You plan to help the needy all over the world. Guidelines were not provided.

Financial data are not in a recognizable format. You estimate that the budget for [redacted] will range from REVENUES of \$[redacted] to EXPENSES of \$[redacted]. Estimated budgets for [redacted] and for [redacted] follow similar patterns.

Many and varied sources of Revenues are described. These include receipts from the [redacted], [redacted] mail order activities; and work from [redacted] and [redacted]. The President will address [redacted] envelopes each day and also ask for donations and grants. Numerous other income-producing means are explained.

Although the REVENUES and EXPENSES appear to be duplicates, the expenses seem to consist of a new \$[redacted] house; of the annual \$[redacted] to your President; utilities; living expenses; mail order supplies to work at home and to otherwise produce income; the [redacted], the [redacted], and so on.

ASSETS include guides to bring in cash, loans of \$[REDACTED], new house of \$[REDACTED] Funeral home policy of \$[REDACTED] and repeats of previous items and amounts reported as REVENUES.

LIABILITIES are \$[REDACTED] all. These include the [REDACTED] of \$[REDACTED] and Family note for F. 1023 + F.1024 totaling \$[REDACTED]

The Board of Directors originally seemed to consist of the one founder and president; subsequent replies have added names and addresses to include several individuals, some of whom seem to be related.

Section 501(c) of the Internal Revenue Code describes certain organizations exempt from Federal income tax under section 501(a).

Section 501(c)(4) of the Internal Revenue Code provides exemption for:

"Civic Leagues or organizations not organized for profit but operated exclusively for the promotion of social welfare..."

Section 1.501(c)(4)-1(a)(2)(i) of the Income Tax Regulations provides that:

"An organization is operated exclusively for the promotion of social welfare if it is primarily engaged in promoting in some way the common good and general welfare of the people of the community. An organization embraced within this section is one which is operated primarily for the purpose of bringing about civic betterment and social improvements."

Section 1.501(c)(4)-1 of the regulations provides, in part, as follows:

"(a)(1) In general. A civic league or organization may be exempt as an organization described in section 501(c)(4) if -

- (i) It is not organized or operated for profit; and
- (ii) It is operated exclusively for the promotion of social welfare."

"(a)(2)(i) An organization is operated exclusively for the promotion of social welfare when it is primarily engaged in promoting, in some way, the common good and general welfare of the people of the community. An organization embraced within this section is one which is operated primarily for the purpose of bringing about civic betterments and social improvements. *** The promotion of social welfare does not include direct or indirect participation or intervention in political campaigns on behalf of or in opposition to any candidate for public office. Nor is an organization operated primarily for the promotion of social welfare if its primary activity is operating a social club for the benefit, pleasure, or recreation of its members, or is carrying on a business with the general public in a manner similar to organizations which are operated for profit. ***"

[REDACTED]

In the Court case of Trippe v. Commissioner, 9 TCM (CCH) 622 (1950), the Tax Court talked about an aggregation of people without some organizing document, without governing rules, and without regularly chosen officers not being considered an entity.

Your replies arrived timely on a consistent basis. Your recent reply 2(c) states that in a Pure Trust, there has to be a minimum of three parties: Settlor, First Trustee, and the Beneficiary. Reply 3 says: "Exempt purposes still seems like a business answer, A Layering Trust, A Living Trust, A Pure Trust." The reply to 3 a. discusses 13 ad services in heaven.

The reply to 3 c. states: "President has conveyed all of Lord assets to Trust."

The reply to 5 says: "I will keep statements of my bills from [REDACTED] If some one from the I.R.S. won't [sic] to see what I did with the money I will have proof. Asset Management Trust will be for Personal affairs to help [REDACTED]"

Without an organizing document, there is no entity to qualify for exemption.

The Trust document which was provided furthers private interests.

You are not operated to promote social welfare. Although your intent seems to be to help needy persons around the world, no guidelines meet exempt requirements.

Your primary activities do not further an exempt purpose.

The President's intent seems to be to help people. However, there are no written policies nor procedures to improve social welfare within the meaning of Code section 501(c)(4).

The nature of your structure is to provide for your President, who will in turn help needy people. But because earnings and income inure to one person. The nature of your structure is to provide for your President, who wants to help needy people. But earnings and income inure to one person. You do not engage primarily in activities which accomplish one or more exempt purposes specified. An organization will not be exempt if more than an insubstantial part of its activities furthers a non-exempt purpose.

An organization is not operated for one or more of the purposes specified unless it serves a public rather than a private interest. To meet the requirement for exemption, an organization must establish that it is not organized or operated for the benefit of private interests such as designated individuals or the creator of the entity which in turn serve private interests.

Without an exempt activity; with no organizing document; and with private benefit to the president, you fail to qualify for exemption.